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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Integrate and
Refine Procurement Policies and Consider
Long-Term Procurement Plans.

Rulemaking 13-12-010
(Filed December 19, 2013)

**THE OFFICE OF RATEPAYER ADVOCATES' REPLY COMMENTS
ON THE PROPOSED BUNDLED PROCUREMENT PLANS OF
PACIFIC GAS AND ELECTRIC COMPANY,
SOUTHERN CALIFORNIA EDISON COMPANY, AND
SAN DIEGO GAS & ELECTRIC COMPANY
(PUBLIC)**

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I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) submits the following reply comments on stakeholder's comments on the draft Bundled Procurement Plans (BPPs) of Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) (jointly referred to as the Utilities or investor-owned utilities (IOUs)). ORA files these reply comments pursuant to the October 6, 2014 Administrative Law Judge's (ALJ) *Ruling Seeking Comments on Bundled Procurement Plans* as modified by ALJ Gamson's October 13, 2014 email to the service list and docket office extending the dates for submitting reply comments to November 20, 2014. As explained below, ORA makes the following recommendations in response to parties' opening comments:

- The Commission should ensure that redacted information is consistent with public disclosure of similar information by other Utilities as California Environmental Justice Alliance (CEJA) and Sierra Club recommend.
- The Commission should support a transparent and public participation process in the Utilities' procurement plans as CEJA and Sierra Club recommend.
- The Commission should require the Utilities to demonstrate in their BPPs that they have pursued least-cost, least-risk greenhouse gas (GHG) reduction strategies before they procure higher-risk GHG instruments as CEJA and Sierra Club recommend.
- The Commission should defer consideration of SCE's draft BPP proposal regarding short-term renewable contracts until the October 21, 2014 Renewables Portfolio Standard (RPS) Proposed Decision (PD) on RPS Plans has been voted out, because contrary to the Center for Energy Efficiency and Renewable Technology (CEERT)'s assertions, adoption of that PD would help to streamline approval of short-term RPS contracts.
- In response to Jan Reid's confidential opening comments on PG&E's BPP hedging plan:

[REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- f) The Commission should adopt Mr. Reid’s recommendation that PG&E notify Procurement Review Group (PRG) members within two business days when certain issues arise due to Convergence Bidding.

II. DISCUSSION

A. The Commission Should Ensure That Redacted Information is Consistent with Public Disclosure of Similar Information by Other Utilities.

ORA supports CEJA and Sierra Club’s recommendation that the Commission ensure that redacted information in the BPPs is consistent across all three Utilities.¹ As CEJA and Sierra Club point out, there are inconsistencies among the Utilities in their redaction of information.² For example, with regards to the hedging chapters, SCE’s hedging strategy is made public whereas PG&E’s is almost completely redacted. In comparing SDG&E’s hedging section with PG&E’s, SDG&E only redacts very select key words and phrases from its hedging plan, whereas PG&E redacts entire paragraphs. Redacting information that is not market sensitive hinders transparency in this public participation process. When the Utilities claim that certain information is market-sensitive and thus warrants redaction, they should ensure that the information they are redacting falls under market-sensitive information addressed in Decision (D.)06-06-066. As the Commission stated in D.06-06-066 in its discussion of market-sensitive information and Public Utilities Code §454.5(g):

“First, the statute covers only procurement plans and related contracts and information. Second, not all procurement plan and related data is market sensitive; a subset of such information meets this definition. Such information must have the potential to

¹ California Environmental Justice Alliance’s and Sierra Club’s Response to Administrative Law Judge’s Ruling Seeking Comments on Bundled Procurement Plan Issues, November 4, 2014 (CEJA/Sierra Club Comments), pp. 18-19.

² CEJA/Sierra Club Comments, p. 18.

materially affect an electricity buyer's market price for electricity. Data that can have no material impact on this price are not "market sensitive."...Section 454.5(g) does not protect every record connected to procurement; it only relates to "market sensitive" information submitted in procurement plans and related documents. Had the Legislature intended all information in procurement plans and related documents to be confidential, it could have said so. The term "market sensitive" must be limited to information with the potential to affect the market for electricity in some way. We do agree, however, that in order to be deemed "market sensitive" in the context of §454.5(g), information must be material. Information is material if it affects the market price an energy buyer pays for electricity."³

To promote transparency in this public process, the Commission should reiterate the standards for redacting confidential information in their BPPs to ensure it is consistent with the guidelines in D.06-06-066 and Appendix 1 to that decision.⁴ Information that the Commission has previously determined to be non-market sensitive in D.06-06-066, should be disclosed in the public version of the Utilities' BPPs.

B. The Commission Should Require a More Transparent Public Participation Process in the Utilities' Procurement Plans.

CEJA and Sierra Club recommend that the Commission promote greater public participation in the Utilities' procurement plan review.⁵ CEJA and Sierra Club argue that allowing for greater public participation in the procurement plan review will help to ensure transparency in the development of these plans and compliance with Commission decisions.⁶ ORA agrees. The Utilities should be required to serve any Commission-determined procurement plan on the service list of the appropriate proceeding to allow for stakeholder input and ensure transparency. Any information in the procurement plan deemed by the IOU to be confidential or market-sensitive can be redacted per D.06-06-066.

C. The Commission Should Require the Utilities to Demonstrate in Their BPPs That They Have Pursued Least-Cost, Least-Risk

³ D.06-06-066, pp. 40, 41, 42.

⁴ http://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/57774.PDF

⁵ CEJA/Sierra Club Comments, pp. 22 – 23.

⁶ CEJA/Sierra Club Comments, pp. 23, 24.

GHG Reduction Strategies Before They Procure Higher-Risk GHG Instruments.

ORA supports CEJA and Sierra Club's recommendation that the Commission should require the Utilities to demonstrate in their BPPs that they have first sought procurement of all least-cost, least-risk GHG reduction strategies before they procure higher-risk GHG instruments. CEJA and Sierra Club acknowledge that the Utilities' "BPPs discuss various ways to reduce the economic risks of procuring GHG allowances and offsets to meet the State's AB 32 requirements" but nevertheless "fail to discuss one of the most important ways of reducing economic risks – an evaluation of the potential to reduce their overall GHG emissions."⁷

For example, upgrading an existing plant to emit fewer GHGs would involve capital and other costs that would need to be compared with the future cost of obtaining GHG compliance instruments, including the risk of volatility in the carbon market. The future price of compliance instruments is inherently uncertain, so calculating whether reducing emissions is less costly and risky than relying solely on compliance instruments would be a prudent strategy to protect ratepayers.

Requiring Utilities to assess their GHG reduction and compliance strategy in their BPPs would allow them to demonstrate that they have reduced their customer's financial risk. For example, the Utilities could submit a marginal cost abatement curve (MAC) with their BPPs that would illustrate a utility's best estimates of the GHG emissions reductions available across its portfolio, including the average cost of achieving GHG reductions from a given measure. ORA recommends the inclusion of all available GHG reduction measures in the MAC curve, including measures that are currently mandated by law, such as the RPS and energy efficiency programs as well as other programs or strategies outside current mandates. ORA noted during the 2012 Long-term Procurement Planning (LTPP) proceeding, Rulemaking (R.)12-03-014) that:

"the MAC curve can provide useful policy guidance and provide ratepayers with assurance that the IOUs are looking at options to reduce GHG emissions across their portfolio as part of their strategy to comply with market-based cap-and-trade program."⁸

⁷ CEJA/Sierra Club Comments, p. 6.

⁸ 2012 LTPP Track III DRA Reply Comments on ALJ Ruling Seeking Comments on Workshop Topics, filed on November 2, 2012 in R.12-03-014.

A MAC curve will provide an outline of the measures that the Utilities should focus on first when developing strategies to comply with cap-and-trade. The Utilities could use the MAC curve to estimate what measures are most likely to be cost-effective compared to procuring high-risk compliance instruments.

D. Contrary to CEERT’s Assertions, the October 21, 2014 RPS PD Contains a Proposal That Would Streamline Approval of Short-term RPS Contracts.

CEERT erroneously states that “the pending RPS Proposed Decision on 2014 RPS Procurement . . . does nothing to advance the streamlining or inclusion of renewables in the LTPP procurement process at all.”² As explained below, the Proposed Decision on the IOUs’ 2014 RPS Procurement Plans (PD on RPS Plans) does in fact streamline the approval process for short-term renewable contracts and should promote the inclusion of short-term renewable contracts in the LTPP procurement process.

Currently “renewable contracts from all-source solicitations must be submitted with an application”¹⁰ and renewable contracts from RPS solicitations are approved through a Tier 3 Advice Letter resolution. If adopted, the PD on RPS Plans would modify these rules for short-term RPS contracts, the subject of SCE’s request in its draft BPP. The PD on RPS Plans permits the IOUs to seek Commission approval of short-term RPS sales and purchase contracts (five years or less) through a Tier 1 Advice Letter.¹¹ This new approval process would apply to renewable contracts from both all-source and RPS specific solicitations. A Tier 1 Advice Letter is subject to far less stringent process requirements than either an application or a Tier 3 Advice Letter, and thus represents a more streamlined process for short-term renewable contracts.

SCE, in its comments on the PD on RPS Plans agrees with this process and states that, “[t]his streamlined review and approval process should advance procurement of short-term renewables in line with the State’s policy preference for renewable generation.”¹² The Commission should therefore defer consideration of SCE’s draft BPP proposal regarding short-

² Comments of CEERT on Bundled Procurement Plans (CEERT Comments), p. 6.

¹⁰ D.04-12-048, p. 108.

¹¹ PD Conditionally Accepting 2014 Renewables Portfolio Standard Procurement Plans and an Off-Year Supplement to 2013 Integrated Resource Plan, p. 76.

¹² SCE Comments on the PD Conditionally Accepting 2014 Renewables Portfolio Standard Procurement Plans and an Off-Year Supplement to 2013 Integrated Resource Plan. p 2.

term renewable contracts until the PD on RPS Plans has been voted out. If the final decision on RPS plans does not include the new approval process for renewable contracts from both all-source and RPS solicitations, then the Commission should at that point consider SCE's proposal.

E. The Commission Should Accept PG&E's Proposed Changes to its Hedging Plan.

ORA recommends that the Commission accept the changes proposed by PG&E in the electric portfolio hedging section of its draft BPP.¹³ The confidential opening comments of Mr. L. Jan Reid¹⁴ call for rejection of some of the changes in PG&E's hedging plan and include a recommendation, as discussed below. PG&E's proposed changes to its hedging plan are reasonable and respond to the Commission's direction in Decision (D.)12-01-033, which required the IOUs' BPPs "be made simpler and less expensive."¹⁵

PG&E provided support for the proposed changes to its hedging plan in the confidential version of its draft BPP. Additionally, PG&E discussed the proposed changes at two PRG meetings on September 18, 2014 and October 14, 2014. PG&E stated that the draft hedging plan revises an existing plan which [REDACTED]

[REDACTED] These proposed changes are not projected to reduce the effectiveness of PG&E's hedging plan yet they will [REDACTED]

[REDACTED] Thus PG&E's proposal simplifies its hedging plan with the potential to reduce ratepayer costs. In opening comments, Mr. Reid opposed the following proposed changes to PG&E's BPP Hedging Plan:

[REDACTED]

¹³ Pacific Gas and Electric Company's (U 39 E) Proposed Bundled Procurement Plan, Confidential Version, October 3, 2014 (PG&E BPP), pp. 29-36 and pp. 103-119.

¹⁴ Confidential Comments of L. Jan Reid on PG&E' Bundled Procurement Plan November 4, 2014 (Reid Comments).

¹⁵ D.12-01-003, Conclusions of Law 9, p. 49.

¹⁶ PG&E PRG meeting presentation of September 18, 2014, p. 4.

¹⁷ The tenor refers to the length of the delivery period to be hedged.

¹⁸ Confidential Comments of L. Jan Reid on PG&E' Bundled Procurement Plan (Reid Comments), November 4, 2014, pp. 2-3.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁹ Reid Comments, p. 2.

²⁰ PG&E BPP, p. 29.

²¹ Reid Comments, pp. 3-4.

²² PG&E BPP, p. 31.

²³ Reid Comments, p. 4.

²⁴ Reid Comments, p. 4.

²⁵ Reid Comments, pp. 4-5.

²⁶ PG&E BPP, p. 33.

²⁷ Reid Comments, p. 5.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The Commission previously addressed regulated ratios of swaps to options and rejected their use in D.07-12-052:

“Aglet proposes that each IOU use the following mix as a hedging guideline – 75% swaps and 25% options. The IOUs uniformly opposed the recommendation, citing its lack of analytical support, its rigidity, and the disadvantage that such a constraint would place on the IOUs when they are negotiating these hedge products.”³⁰

[REDACTED]

[REDACTED]

[REDACTED]

In summary, PG&E’s proposed hedging plan is a reasonable approach, which complies with the Commission’s directives. Mr. Reid’s recommendations do not offer a superior approach based on evidence and the Commission therefore should not adopt them at this time.

F. The Commission Should Adopt Mr. Reid’s Recommendation to Require Notification to the Procurement Review Group Within Two Business Days with Respects to Changes to Convergence Bidding.

Mr. Reid recommends that PG&E notify PRG members within two business days should any of the following events occur³¹ with respect to Convergence Bidding:

²⁸ Reid Comments, p. 5.

²⁹ Reid Comments, pp. 6-7.

³⁰ D.07-12-052, p. 173.

³¹ R.13-12-010 (LTPP) Public BPP Comments of L. Jan Reid 4-Nov-14, p. 9.

1. Notice from the California Independent System Operator (CAISO) or its Department of Market Monitoring that PG&E or its scheduling coordinator is the subject of an investigation pursuant to the CAISO Tariff, including Section 37.8.4;
2. Notice from the CAISO that the conduct of PG&E or its scheduling coordinator's conduct has been referred to the Federal Energy Regulatory Commission by the CAISO pursuant to the CAISO Tariff, including section 37.8.2; or
3. Notice from the CAISO that PG&E or its scheduling coordinator's Convergence Bidding trading has been suspended or limited by the CAISO.

At present, the three IOUs are required to provide a written notice to the Commission's Executive Director, the Director of Energy Division, and the General Counsel within one business day of being notified by the CAISO that any of the events discussed above occurred. No similar reporting requirements exist for informing PRG members. For the sake of transparency and timely release of information to PRG members, ORA supports Mr. Reid's recommendation and respectfully requests the Commission to extend this requirement to SCE and SDG&E as well.

III. CONCLUSION

ORA respectfully requests that the Commission adopt ORA's recommendations in its opening and reply comments.

Respectfully submitted,

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